

This Preliminary Official Statement and any information contained herein are subject to completion and amendment. The Bonds may not be sold and offers to buy may not be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The Town has deemed this Preliminary Official Statement “Final” except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2018

NEW ISSUE-BOOK-ENTRY ONLY

RATINGS: Moody's: _____

S&P: _____

(See "RATINGS" herein)

In the opinion of Locke Lord LLP, Bond Counsel to the Town, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. Under existing law and regulations, the Bonds and the interest thereon are exempt from taxation under existing laws of the State Florida except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

TOWN OF PALM BEACH, FLORIDA

\$ _____ *

**General Obligation Bonds (Underground Utility Project),
Series 2018 (the "Bonds")**

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

The Town of Palm Beach, Florida (the "Town") is issuing its General Obligation Bonds (Underground Utility Project), Series 2018 (the "Bonds") as fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be available to purchasers in principal denominations of \$5,000 and integral multiples thereof under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive physical delivery of the Bonds. Beneficial Owners of Bonds must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of the principal of and interest on such Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. U.S. Bank National Association will serve as the initial Paying Agent and Registrar for the Bonds.

Interest on the Bonds is payable on each January 1 and July 1, commencing January 1, 2019, until maturity or earlier redemption. The Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS—Redemption Provisions."

* Preliminary, subject to change.

The Bonds are being issued by the Town pursuant to Resolution No. ____-2018, adopted on August 15, 2018 (the “Resolution”). The Bonds are being issued for the purposes of (i) financing or refinancing a portion of the cost of acquiring, constructing, reconstructing and equipping of the Town’s Underground Utility Project, (ii) retiring the Town’s Public Improvement Commercial Paper Revenue Notes, Series 2017 (the “Notes”), and (iii) paying the costs of issuance with respect to the Bonds. See “PURPOSE OF THE BONDS,” “DESCRIPTION OF THE UNDERGROUND UTILITY PROJECT” and “ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS.”

The Bonds are general obligation bonds of the Town for which the full faith and credit and taxing power of the Town are pledged. The Bonds shall be payable first from the Underground Utility Project Special Assessments (herein described) and, to the extent the Underground Utility Project Special Assessments are insufficient to pay debt service or not assessed, ad valorem taxes levied and collected in the Town (without limitation as to rate or amount) on all taxable property in the Town sufficient to pay principal of and interest on such Bonds as the same become due and payable. The Town may apply other legally available sources of revenues to the payment of the Bonds. The issuance of general obligation bonds of the Town in an aggregate principal amount of not exceeding \$90,000,000 was approved by the voters in a bond referendum held on March 15, 2016. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by Locke Lord LLP, West Palm Beach, Florida, Bond Counsel. Certain legal matters will be passed on for the Town by its counsel, Jones, Foster, Johnston & Stubbs, P.A., West Palm Beach, Florida, and for the Underwriter by its counsel, Greenspoon Marder LLP, West Palm Beach, Florida. PFM Financial Advisors LLC, Orlando, Florida is serving as Municipal Advisor to the Town with respect to the Bonds. The Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about October ___, 2018.

The date of this Official Statement is _____, 2018.

Citigroup

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS
AND INITIAL CUSIP NUMBERS**

\$ _____ *

General Obligation Bonds (Underground Utility Project), Series 2018

\$ _____ * Serial Bonds

<u>Maturity (July 1)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Initial CUSIP No.¹</u>
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				

\$ _____ * _____ % Term Bonds Due July 1, 2047 Yield ____ % Initial CUSIP No.¹

* Preliminary, subject to change.

¹ The Town is not responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Official Statement.

TOWN OF PALM BEACH, FLORIDA

360 South County Road
Palm Beach, FL 33480
(561) 838-5444

TOWN COUNCIL

GAIL CONIGLIO Mayor
DANIELLE H. MOORE Town Council President
MARGARET ZEIDMAN..... Town Council President Pro-Tem
JULIE ARASKOG..... Town Council Member
LEW CRAMPTON..... Town Council Member
BOBBIE LINDSAY Town Council Member

Town Manager

KIRK BLOUIN

Town Attorney

JOHN C. RANDOLPH
JONES, FOSTER, JOHNSTON & STUBBS, P.A.

Town Clerk

KATHLEEN DOMINGUEZ

Town Director of Finance

JANE LE CLAINCHE

Municipal Advisor

PFM FINANCIAL ADVISORS LLC

Bond Counsel

LOCKE LORD LLP

NO DEALER, BROKER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE TOWN OF PALM BEACH, FLORIDA (THE "TOWN") OR THE UNDERWRITER SET FORTH ON THE COVER PAGE OF THIS OFFICIAL STATEMENT. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE HEREIN DESCRIBED BONDS, NOR MAY THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER WILL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE TOWN SINCE THE DATE HEREOF.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: *THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH AND AS PART OF ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.*

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TOWN AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER GOVERNMENTAL ENTITY OR AGENCY (OTHER THAN THE TOWN) WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED OR RECOMMENDED THE BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE WEBSITE www.MuniOS.com. THIS OFFICIAL

STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE TOWN FOR PURPOSES OF RULE 15c2-12 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15c2-12(b)(1)

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OFFICIAL STATEMENT
TOWN OF PALM BEACH, FLORIDA

§ _____ *
General Obligation Bonds (Underground Utility Project),
Series 2018 (the “Bonds”)

INTRODUCTION

The purpose of this Official Statement is to set forth certain information relating to the Town of Palm Beach, Florida (the “Town”) and the issuance by the Town of \$ _____* principal amount of its General Obligation Bonds (Underground Utility Project), Series 2018 (the “Bonds”). The Bonds are being issued pursuant to the Constitution of the State of Florida, Chapter 166, Florida Statutes, the Charter of the Town and other applicable provisions of law (collectively, the “Act”) and a bond referendum held on March 15, 2016 (the “Bond Referendum”), and pursuant to Resolution No. ____-2018 of the Town adopted on August 15, 2018 (the “Resolution”).

The Bonds are being issued for the purposes of (i) financing or refinancing a portion of the cost of acquiring, constructing, reconstructing and equipping of the Underground Utility Project (described herein), (ii) retiring the Town’s Public Improvement Commercial Paper Revenue Notes, Series 2017 (the “Notes”), and (iii) paying the costs of issuance with respect to the Bonds. See “PURPOSE OF THE BONDS,” “DESCRIPTION OF THE UNDERGROUND UTILITY PROJECT” and “ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS.”

The Bonds are general obligation bonds of the Town for which the full faith and credit and taxing power of the Town are pledged. The Bonds shall be payable first from the Underground Utility Project Special Assessments (herein described) and, to the extent the Underground Utility Project Special Assessments are insufficient to pay debt service or not assessed, ad valorem taxes levied and collected in the Town (without limitation as to rate or amount) on all taxable property in the Town sufficient to pay principal of and interest on such Bonds as the same become due and payable. The Town may apply other legally available sources of revenues to the payment of the Bonds. The issuance of general obligation bonds of the Town in an aggregate principal amount of not exceeding \$90,000,000 was approved by the voters in a bond referendum held on March 15, 2016. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

Capitalized terms not otherwise defined in this Official Statement will have the same meanings assigned to such terms in the Resolution. See “APPENDIX A—Town of Palm Beach Resolution No. ____-2018.” This Official Statement also includes summaries of, and references to, the Bonds, the Resolution, statutes, and various documents and instruments. The summaries of, and references to, the Bonds, the Resolution, statutes and various documents and instruments

* Preliminary, subject to change.

herein do not purport to be complete, comprehensive or definitive and each such summary and reference is qualified in its entirety by reference to the Bonds, the Resolution and the applicable document, statute, or instrument.

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

PURPOSE OF THE BONDS

The Bonds are being issued for the purposes of (i) financing or refinancing a portion of the cost of acquiring, constructing, reconstructing and equipping of the Underground Utility Project, (ii) retiring the Town's Public Improvement Commercial Paper Revenue Notes, Series 2017 (the "Notes"), and (iii) paying the costs of issuance with respect to the Bonds.

DESCRIPTION OF THE UNDERGROUND UTILITY PROJECT

The Underground Utility Project consists of capital improvements for the conversion of the Town's overhead utility lines and related facilities to underground utilities including, but not limited to, removal of overhead utility lines and facilities, landscaping removal and restoration, and other utility and utility related improvements. The Underground Utility Project includes the acquisition, design, construction, installation, reconstruction, renewal or replacement (including demolition, environmental mitigation and relocation) of facilities necessary or desirable for the Underground Utility Project, the costs of machinery, equipment and supplies, engineering, architectural, financing costs, project management expenses, legal fees and expenses and such other expenses as may be necessary for, or incidental to, the completion of the Underground Utility Project.

The Underground Utility Project consists of eight phases with each phase duration spanning approximately 18 months. Construction for each phase begins in late spring or summer every year. Phase 1 construction began in July of 2017 with the final Phase 8 planned for 2024. Adjacent phase schedules overlap in duration permitting the team to accelerate implementation. As of July 2018, Phase 1 was over 60% complete with Phase 2 planned for construction to start in September 2018. Phases 3 and 4 presently are under design and on schedule for May 2019 and May 2020 construction start, respectively.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS

The table below sets forth the expected sources and uses of proceeds of the Bonds.

Sources

Par Amount of Bonds	\$
[Plus/Minus] Net Original Issue [Premium/Discount]	
Total Sources	<u>\$</u>

Uses

Deposit to Project Account	\$
Retirement of Notes	
Cost of Issuance, including Underwriter's Discount	
Total Uses	<u>\$</u>

(1) Includes fees of Bond Counsel, Municipal Advisor and other costs of issuing the Bonds.

DESCRIPTION OF THE BONDS

General Description

The Bonds will be issued as fully registered bonds, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only, and purchasers will not receive physical delivery of the Bonds or any certificate representing their beneficial ownership interest in the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are available to purchasers in principal denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of the date of their initial issuance and will bear interest from that date at the rates (calculated based upon a year of 360 days consisting of twelve thirty-day months) and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on January 1 and July 1, commencing on January 1, 2019. U.S. Bank National Association will act as initial Paying Agent and Registrar for the Bonds.

Registration, Transfer and Exchange

The Registrar will keep books for the registration of transfers and exchanges of the Bonds. The Town, the Registrar and the Paying Agent shall may treat and consider the registered owner of any Bond as the absolute owner of such Bond for the purpose of payment of

principal, interest or redemption premium, if any, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. In the event the book-entry only system of registration of the Bonds, described below under “BOOK-ENTRY ONLY SYSTEM.” is discontinued, the Bonds will be subject to transfer and exchange as more fully described in the Resolution. See “APPENDIX A—Town of Palm Beach Resolution No. ____-2018.”

Redemption Provisions

The Bonds are subject to redemption prior to maturity as described below:

Optional Redemption. The Bonds maturing on or before July 1, ____ will not be subject to optional redemption prior to maturity. The Bonds maturing on or after July 1, ____ are subject to redemption prior to maturity at the option of the Town, in whole or in part, at any time on or after July 1, ____, and if in part, in maturities determined by the Town and by lot within a maturity, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

Mandatory Redemption.

The Bonds maturing on July 1, ____ (the “Term Bonds”) are subject to mandatory redemption in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date in the following principal amounts and on the following dates:

<u>Term Bonds</u>	
<u>Year</u> <u>(July 1)</u>	<u>Amount</u>

*Final maturity, not a redemption.

Notice of Redemption of the Bonds. To the extent the Bonds are subject to redemption, notice of such redemption shall be given by the Paying Agent, at least thirty (30) days prior to the redemption date, be filed with the Bond Registrar and mailed, first class mail, postage prepaid, to all Holders of the Bonds to be redeemed at their addresses as they appear on the registration books of the Town, but failure to mail such notice to one or more Holders of the Bonds shall not affect the validity of the proceedings with respect to Holders of the Bonds to which notice was duly mailed. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds of one maturity are to be called, the distinctive numbers of such Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed..

In addition to the foregoing notice, further notice of redemption shall be given by the Town as set out in the Resolution, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given in the manner prescribed above. See “APPENDIX A—Town of Palm Beach Resolution No. ____-2018.”

In the case of an optional redemption, the notice of redemption may state that (1) it is conditioned upon the deposit of moneys with the Paying Agent or with an escrow agent under an escrow deposit agreement, in amounts necessary to effect the redemption, no later than the redemption date or (2) the Town retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this subsection. Any such notice of Conditional Redemption shall be captioned “Conditional Notice of Redemption.” Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Town delivers a written direction to the Paying Agent directing the Paying Agent to rescind the redemption notice. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded, or such moneys not so deposited, shall remain Outstanding, and neither the rescission nor the failure by the Town to make such moneys available shall constitute an event of default hereunder. The Town shall give notice as may be required by the MSRB and to one or more national information services that disseminate notices, and to the affected Bondholders, that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

So long as the Bonds are registered in book-entry form, notices of redemption will be given by the Paying Agent only to DTC. See “BOOK-ENTRY ONLY SYSTEM.”

Any Bonds which have been duly selected for redemption and for which funds have been set aside with the Paying Agent will cease to bear interest on the specified redemption date.

BOOK-ENTRY ONLY SYSTEM

The following contains a description of the procedures and operations of DTC and is based upon information provided by DTC. Neither the Town nor the Underwriter have independently investigated or verified such procedures and operations and assume no responsibility for the accuracy or completeness of the description thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to as the "DTC Participants." DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the DTC Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their

holdings, from the DTC Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to documents securing the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The redemption price and principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or

registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal of and interest payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. Subject to the policies and procedures of DTC (or any successor securities depository), the Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. Thereafter, Bond certificates may be transferred and exchanged as described in the Resolution. See “APPENDIX A—Town of Palm Beach Resolution No. ____-2018.”

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE BONDS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The Town can make no assurances that DTC will distribute payments of principal of, redemption price, if any, or interest on the Bonds to the Direct Participants, or that DTC Participants will distribute payments of principal of, redemption price, if any, or interest on the Bonds or redemption notices to the Beneficial Owners of such Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Official Statement. The Town is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any DTC Participant to give any notice or make any payment to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Bonds and the manner of transferring or pledging those interests are subject to applicable state law. Holders of beneficial interests in the Bonds may want to discuss the manner of transferring or pledging their interest in the Bonds with their legal advisors.

NEITHER THE TOWN NOR THE PAYING AGENT SHALL HAVE ANY OBLIGATION WITH RESPECT TO ANY DTC PARTICIPANT OR BENEFICIAL OWNER OF THE BONDS DURING SUCH TIME AS THE BONDS ARE REGISTERED IN THE NAME OF A SECURITIES DEPOSITORY PURSUANT TO A BOOK-ENTRY SYSTEM.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

The Bonds are general obligation bonds of the Town for which the full faith and credit and taxing power of the Town are pledged. The Bonds shall be payable first from the Underground Utility Project Special Assessments (herein described) and, to the extent the Underground Utility Project Special Assessments are insufficient to pay debt service or not assessed, ad valorem taxes levied and collected in the Town (without limitation as to rate or amount) on all taxable property in the Town sufficient to pay principal of and interest on such Bonds as the same become due and payable. The Town may apply other legally available sources of revenues to the payment of the Bonds. The proceeds of such tax and/or non-ad valorem special assessments and/or other legally available sources of revenues, as the case may be, applied to the payment of the Bonds will be deposited into a Sinking Fund, created under the Resolution, to be held by the depository for the Town and administered by the Town solely for the purpose of paying the principal of and interest on the Bonds as they become due. Pending its use, money on deposit in the Sinking Fund may be invested in Sinking Fund Investments (as defined in the Resolution).

Underground Utility Project Special Assessments

The Bonds will be payable first from the proceeds of non-ad valorem special assessments imposed by the Town in connection with the Underground Utility Project pursuant to Chapter 90, Town Code of Ordinances, Resolution No. 090-2017 adopted by the Town on June 13, 2017 and Resolution No. 100-2017 adopted by the Town on July 12, 2017 (the “Underground Utility Project Special Assessments”). The Underground Utility Project Special Assessments are being imposed on properties in the “Underground Utility Assessment Area” (all of the area of the Town except certain excluded parcels as described in Resolution No. 090-2017) to provide beautification, improved utility reliability, and to enhance safety and access to property, as well as to preserve and/or enhance the value of all property in the Underground Utility Assessment Area through the Underground Utility Project.

In 2017, the Town engaged the services of Rafielis Financial Consultants to prepare a special assessment methodology report to determine the special benefit that the Underground Utility Project would provide to each parcel in the Underground Utility Assessment Area. The amount of the Underground Utility Project Special Assessment for each property was determined by allocating a safety benefit, a reliability benefit and an aesthetic benefit to each property in the Underground Utility Assessment Area. The Underground Utility Project Special Assessments are set to cover capital costs of \$90,000,000, plus interest on debt, costs of collection and the statutory discount of up to four percent (4%). The Town annually imposes the Underground Utility Project Special Assessments. The Underground Utility Project Special Assessments are payable over a period of thirty (30) years, commencing with the ad valorem tax bills sent out in November of 2017. For the Town’s 2017-2018 fiscal year, the Town levied the Underground Utility Project Special Assessments in a total amount of \$5,504,817.95 and collected \$15,810,127, which includes \$11,559,400 in special assessment prepayments in full. The annual

installment of the Underground Utility Project Special Assessments on individual properties ranges from \$204.77 to \$41,951.70.

The Underground Utility Project Special Assessments are being collected, and payment enforced, in the same manner that ad valorem property taxes are collected, as authorized by Sections 197.3632 and 197.3635, Florida Statutes. Chapter 197, Florida Statutes, governs the procedure for the collection of ad valorem taxes and non-ad valorem assessments that are collected in the same manner as ad valorem taxes. See “AD VALOREM TAXATION – General Matters Relating to Collection and Enforcement.”

Other Revenues and Assets

If in any given year or years the Town cannot use the Underground Utility Project Special Assessments to pay the debt service on the Bonds, then the Town shall apply such other legally available sources of revenue and assets, including reserves, as shall be necessary to pay the debt service on the Bonds in such year. The Bonds are general obligation bonds for which the full faith and credit and taxing power of the Town are pledged.

Additional Bonds

The issuance of general obligation bonds of the Town in an aggregate principal amount not exceeding \$90,000,000 was approved by the Bond Referendum. Under this authorization, after the issuance of the Bonds, the Town will be authorized to issue an additional \$_____ * in general obligation bonds for the Underground Utility Project, which would be payable in the same manner as the Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

Before any additional bonds may be issued, the Town Council will be required to adopt a resolution authorizing their issuance, and fixing (or providing for the fixing of) the amount and the details thereof.

No Reserve Account

No reserve account has been established or will be funded for the Bonds.

AD VALOREM TAXATION

General Matters Relating to Town Taxation and Voted Millage

Ad valorem taxes levied and collected by the Town (exclusive of ad valorem taxes levied to pay debt service on the Town’s general obligation bonds, as described below) are allocated among the Town’s General Fund and other governmental funds of the Town and support the Town’s budget. Once the Town determines the amount of dollars needed to support its budget, it

* Preliminary, subject to change.

considers two primary factors in determining the levy of ad valorem taxes. The first factor is the millage rate that, when applied to the Town's tax roll (hereinafter described), generates the necessary tax dollars. State law places a 10 mill cap on local governments (excluding payment of voter-approved bonds). The Town levied a millage for its fiscal year beginning October 1, 2017, of 3.3027 mills for general operations and the Town has preliminarily proposed a millage of 3.1350 mills for general operations for its fiscal year beginning October 1, 2018. The Town could impose an additional millage to pay for the debt service on the Bonds, but it intends not to do so; rather, the Town intends to pay the debt service on the Bonds from non-ad valorem special assessments imposed in connection with the Underground Utility Project, and to only pay the debt service on the Bonds from ad valorem taxes to the extent such non-ad valorem special assessments are insufficient to pay debt service or are not assessed. The Town may apply other legally available sources of revenue to the payment of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Town has the authority to impose a millage levy for debt supported by unlimited ad valorem taxes, such as that evidenced by the Bonds, and the limitations, exemptions or adjustments described herein any others provided in State law do not affect the ability of the Town to levy and collect ad valorem taxes in amounts sufficient to pay principal of and interest on the Bonds.

General Matters Relating to Property Assessment Procedure

The laws of the State provide for a uniform procedure to be followed by all counties, municipalities, school districts and special districts for the levy and collection of ad valorem taxes on real and personal property. Pursuant to such laws, the County's property appraiser (the "Property Appraiser") prepares an annual assessment roll for all taxing units within the County, including the Town, and levies such millage, subject to constitutional limitations, as determined by each taxing unit, and the County Tax Collector (the "Tax Collector") collects the ad valorem property taxes for all taxing units within the County, including the Town. Since the ad valorem property taxes of all taxing units within a County are billed together by the Tax Collector, each property owner is required to pay all such taxes and assessments without preference.

Real property used for the following purposes is generally exempt from ad valorem taxation: religious, educational, charitable, scientific, literary, and governmental. In addition, there are special exemptions for widows, hospitals, homesteads, and homes for the aged and disabled veterans. Agricultural land, non-commercial recreational land, inventory, and livestock are assessed at less than 100% of fair market value.

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. The Property Appraiser is required to physically inspect the real property every three (3) years. State law requires with certain exceptions, that property be assessed at fair market value; however, \$25,000 of the assessed valuation of a homestead is exempt from taxation for a residence occupied by the owner on a permanent basis where such owner has filed for and received a homestead exemption. Annual increases in the assessed valuation of homestead property are limited to the change in the consumer price index, not to exceed 3%, except in the event of a sale of such property during the prior year and except as to improvements to such property during the prior year. In addition to the homestead exemption,

persons 65 years or older whose combined household adjusted gross income does not exceed certain levels are allowed an additional \$25,000 exemption, in addition to other exemptions. See “ – Legislative Developments and Exemptions” below.

The Property Appraiser’s office prepares the assessment roll and gives notice by mail to each property owner of the proposed property taxes and the assessed property value for the current year, and the dates, times and places at which budget hearings are scheduled to be held. The property owner then has the right to file an appeal with the value adjustment board, which considers petitions relating to assessments and exemptions. The value adjustment board may make adjustments to the assessment roll to reflect any reduction in the assessed value of property upon the completion of the appeals. The value adjustment board certifies the assessment roll upon completion of the hearing of appeals to it. Millage rates are then computed by the various taxing authorities and certified to the Property Appraiser, who applies the millage rates to the assessment roll. This procedure creates the tax roll, which is then certified and turned over to the Tax Collector.

Section 194.104, Florida Statutes requires that taxpayers appealing the assessed value or assigned classification of their property must make a required partial payment of taxes on properties that will have a petition pending on or after the delinquency date (normally April 1). The statute further provides that a taxpayer’s failure to make the required partial payment before the delinquency date (normally April 1) will result in the denial of the taxpayer’s petition.

State law provides that tax liens are superior to all other liens, except prior United States Internal Revenue Service liens.

General Matters Relating to Collection and Enforcement

The procedures described in the following section apply both to the collection of ad valorem taxes and the collection of special assessments imposed by the Town, such as the Underground Utility Project Special Assessments.

A notice is mailed to each property owner on the tax roll for the taxes levied by cities, counties, school boards, and other taxing authorities. All real and tangible personal property taxes become payable on November 1 of each year, or as soon thereafter as the tax roll is certified and delivered to the Tax Collector. The Tax Collector mails a notice to each property owner on the tax roll for the taxes levied by the County, the School District of Palm Beach County, Florida (the “School District”), municipalities within the County, including the Town, and other taxing authorities. Taxes may be paid upon receipt of such notice, with discounts at the rate of 4% if paid in the month of November; 3% if paid in the month of December; 2% if paid in the month of January and 1% if paid in the month of February. Taxes paid in the month of March are without discount. All unpaid taxes on real and personal property become delinquent on April 1 of the year following the year in which taxes were levied. All taxes and special assessments collected are distributed by the Tax Collector to the applicable taxing units, including the Town.

It is the Tax Collector’s duty on or before June 1 of each year to advertise and sell tax certificates on real property tax delinquencies extending from the previous April 1. Delinquent

taxes may be paid by the property owner prior to the sale of tax certificates upon payment of all costs, delinquent taxes and interest at the rate of not more than 18% per annum. The tax certificates must be for an amount not less than the taxes due, plus interest from April 1 to the date of sale at not more than 18% per annum, together with the cost of advertising and expense of the sale. Each tax certificate is awarded to the bidder paying the above amounts who accepts the lowest interest to be borne by the tax certificate after its sale. If there are no bidders, the Tax Collector must hold, but not pay for, such tax certificates. Thereafter, the Tax Collector may sell such tax certificates to the public at any time at the principal amount thereof plus interest at not more than 18% per annum and a fee. With respect to personal property tax delinquencies, such delinquent taxes must be advertised within 45 days after delinquency and, after May 1, the property is subject to warrant, levy, seizure and sale. The proceeds of the sale of the tax certificates are distributed to the respective taxing units, including the Town.

Tax certificates held by persons other than the Tax Collector may be redeemed and cancelled by any person prior to the time a tax deed is issued upon payment of the face amount of the tax certificate plus interest, costs and other charges. Holders of tax certificates, other than the Tax Collector, which have not been redeemed may, at any time after two years but prior to seven years from date of issuance, file an application for a tax deed with the Tax Collector upon payment of all other outstanding tax certificates on such property plus interest, any omitted taxes plus interest, and delinquent taxes plus interest covering the real property. Thereafter, the property is advertised for public sale at auction to the highest bidder, subject to certain minimum bids. If there are no other bidders, the holder of the tax certificate receives title to the land. If the tax certificate is held by the Tax Collector and the Tax Collector has not succeeded in selling it within two years, the Town may apply for a tax deed upon payment of all applicable costs and fees but not any amount to redeem the tax certificate. Such property is then also advertised for public sale to the highest bidder, subject to certain minimum bids. If there are no other bidders, the Town may purchase the land for the minimum bid. In the case of unsold lands, after seven years the Town will take title to such lands.

Legislative Developments and Exemptions

Several Constitutional and Legislative amendments affecting ad valorem taxes have been approved by voters in the past as further described below. As described below many of the changes affect the amount (value) of property that is subject to ad valorem taxation. Nevertheless, since the Bonds are general obligations of the Town, the Town has irrevocably pledged its full faith, credit and taxing power to the payment thereof.

Save Our Homes Amendment

By voter referendum held on November 3, 1992, Article VII, Section 4 of the State Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) 3% of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967 = 100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status, such property shall

be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. This amendment is known as the "Save Our Homes Amendment." The effective date of the amendment was January 5, 1993 and, pursuant to a ruling by the Florida Supreme Court, it began to affect homestead property valuations commencing January 1, 1995, with 1994 assessed values being the base year for determining compliance.

In the November 7, 2006 general election, the voters of the State approved amendments to the State Constitution which provide for an increase in the homestead exemption to \$50,000 from \$25,000 for certain low-income seniors, effective January 1, 2007, and provide a discount from the amount of ad valorem taxes for certain permanently disabled veterans, effective December 7, 2006.

Millage Rollback Legislation. In 2007, the State Legislature adopted Chapter 2007-321, Laws of Florida (2007) (the "Rollback Law"), a property tax plan which significantly impacted ad valorem tax collections for State local governments. One component of the adopted legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 Fiscal Year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem tax revenues by zero percent to nine percent (0% to 9%). In addition, the legislation limited how much the aggregate amount of ad valorem tax revenues may increase in future Fiscal Years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

It should be noted that the Rollback Law does not apply to ad valorem tax revenues pledged to repay general obligation debt. The Town's ability to levy ad valorem taxes in order to repay the Bonds is not adversely affected by the Rollback Law.

January 2008 Amendments

In the January 29, 2008 special election, the voters of the State approved amendments to the State Constitution that exempt certain portions of a property's assessed value from taxation, and in certain cases limit increases in assessed value of non-homestead property. These amendments became effective for the 2008 tax year (2008-2009 fiscal year for local governments). The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional \$25,000 exemption for the assessed value of homestead property to increase the homestead exemption to \$50,000 (for property owners using the standard homestead exemption, thus doubling the existing homestead exemption for property with an assessed value equal to \$50,000 or greater) and \$75,000 (for property owners eligible to use one

of the special homestead exemptions and having property with an assessed value equal to or greater than \$75,000). This exemption does not apply to school district taxes.

2. Permits owners of homestead property to transfer their “Save Our Homes Amendment” benefit (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their “Save Our Homes Amendment” benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. This exemption applies to all taxes.

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax. This limitation applies to all taxes.

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases is in effect for a 10 year period, subject to extension by an affirmative vote of electors. This limitation does not apply to school district taxes. See, however, “Legislative Proposals and Proposed Constitutional Amendments Relating to Ad Valorem Taxation” set forth below for a discussion of the proposed repeal of the 10-year limitation.

From time to time over the last few years, the “Save Our Homes Amendment” assessment cap and portability provision described above have been subject to legal challenge. The plaintiffs in such cases have generally argued that the “Save Our Homes Amendment” assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution’s Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution and that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by the “Save Our Homes Amendment.” The courts, in each case, have rejected such constitutional arguments and upheld the constitutionality of such provisions. However, there is no assurance that any future challenges to such provisions will not be successful. Any potential impact on the City or its finances as a result of such challenges cannot be ascertained at this time.

November 2008 Amendments

In addition to the legislative activity described above, the constitutionally mandated Florida Taxation and Budget Reform Commission (required to be convened every 20 years) (the “TBRC”) completed its meetings on April 25, 2008 and placed several constitutional amendments on the November 4, 2008 General Election ballot. Three of such amendments were approved by the voters of the State, which, among other things, do the following: (a) allow the State Legislature, by general law, to exempt from assessed value of residential homes, improvements made to protect property from wind damage and installation of a new renewable energy source device; (b) assess specified working waterfront properties based on current use

rather than highest and best use; (c) provide a property tax exemption for real property that is perpetually used for conservation (began in 2010); and, (d) for land not perpetually encumbered, require the State Legislature to provide classification and assessment of land use for conservation purposes solely on the basis of character or use.

November 2010 Amendment

In the November 2, 2010 general election, the voters of the State approved an amendment to Article VII, Section 4 of the State Constitution which provides an additional homestead exemption to members of the military deployed on active duty outside the United States during the preceding year equal to the portion of the year that they were so deployed. This constitutional amendment took effect on January 1, 2011.

Other Constitutional Amendments and Legislative Actions Affecting Ad Valorem Taxation

During the 2011 regular legislative session, the State Legislature passed Senate Joint Resolution 592 (“SJR 592”). SJR 592 allows totally or partially disabled veterans who were not State residents at the time of entering military service to qualify for the combat-related disabled veteran’s ad valorem tax discount on homestead property.

During the 2012 regular legislative session, the State Legislature enacted Chapter 2012-193, Laws of Florida (HB7097). The statute provides that the base \$25,000 homestead exemption and the additional \$25,000 non-school levy homestead exemption apply before all other homestead exemptions, which shall then be applied in a manner that results in the lowest taxable value. The statute also provides that land, buildings, and other improvement to real property used exclusively for educational purposes shall be deemed owned by an educational institution for the purpose of an ad valorem exemption if the entity owning 100 percent of the land is a nonprofit entity and the land is used, under a ground lease or other contractual arrangement, by an educational institution that owns the buildings and other improvements to the real property that is a nonprofit entity under Section 501(c)(3) of the Code, and provides education limited to students in prekindergarten through grade 8. The statute grants an exemption to all property of municipalities if used as an essential ancillary function of a facility constructed with financing obtained in part by pledging proceeds from the convention development tax which is upon exempt or immune federal, state or county property.

The following two amendments were approved by the voters on November 6, 2012 and became effective January 1, 2013.

1. During the 2012 regular legislative session, the State Legislature passed House Joint Resolution 93 (“HJR 93”). HJR 93 allows the State Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property.

2. Also during the 2012 regular legislative session, the State Legislature passed House Joint Resolution 169 ("HJR 169") allowing the State Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 would not apply to school property taxes. As of the date hereof the Town has not enacted an ordinance granting this additional homestead exemption.

During its 2013 regular legislative session, the State Legislature passed Senate Bill 1830 ("SB 1830"), which was signed into law by Governor Rick Scott and provides a number of changes affecting ad valorem taxation which became effective as of July 1, 2013. First, SB 1830 gives long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing time frames. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of real property in the State permanently reside upon such property in order to qualify for a homestead exemption. This change conforms the statute at issue with the State Constitution by allowing non-resident owners of property to claim a homestead exemption if a person legally or naturally dependent upon the owner permanently resides on such property. Fifth, SB 1830 clarifies a drafting error regarding the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a State resident at the time they entered military service in order to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for limited liability partnerships with a general partner that is a charitable 501(c)(3) organization to qualify for the affordable housing property tax exemption. Finally, SB 1830 exempts from property taxes property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Also during the State Legislature's 2013 regular legislative session, the State Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013.

In addition, during the State Legislature's 2013 regular legislative session, the State Legislature passed House Bill 1193 ("HB 1193"), which was signed into law by the Governor.

HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieves the value adjustment board of the authority to review the property appraisers. HB 1193 applies retroactively to January 1, 2013.

It should be noted that during the State Legislature's 2015 regular legislative session, House Bill 173 ("HB 173") was introduced. HB 173 proposed an increase in the property tax exemption for widows, blind persons and totally and permanently disabled persons. The current exemption is \$500, which HB 173 proposes to increase to \$5,000. Although HB 173 was approved by the full House of Representatives during the State Legislature's 2015 Regular Session, it was not ultimately considered by the full Senate and was not enacted.

During the State Legislature's 2016 regular legislative session, the State Legislature passed Joint Resolution 1009 (CS/HJR 1009), proposing an amendment to the Florida Constitution to grant a full or partial property tax exemption on homestead property to first responders who are totally and permanently disabled as a result of an injury or injuries sustained in the line of duty. This amendment to the Florida Constitution was approved by the voters in the 2016 general election and became effective on January 1, 2017.

Also during the State Legislature's 2016 regular legislative session, the State Legislature passed Joint Resolution 275 (CS/HJR 275), proposing an amendment to the Florida Constitution to change the current law allowing counties and municipalities to grant a full exemption from property taxes to any person who has the legal or equitable title to real estate with a just value less than \$250,000, and who has attained age 65, and whose household income does not exceed \$20,000. The amendment allows such person to continue receiving the exemption if their homestead's just value rises above \$250,000, either due to changes in the market or because of additions or improvements made to the property. In addition, the legislation operates retroactively to January 1, 2013 to allow individuals who were granted the exemption in prior years, but became ineligible for the exemption because the individual's homestead value rose above \$250,000, to regain the exemption if they are otherwise still qualified. This amendment to the Florida Constitution was approved by the voters in the 2016 general election and became effective on January 1, 2017.

During the State Legislature's 2017 regular legislative session, the State Legislature passed Senate Bill 90 ("SB 90") implementing Amendment 4, which was approved by the voters in August 2016. SB 90 exempts the assessed value of a renewable energy device from tangible personal property tax and the installation of those devices from determining the assessed value of real property, both residential and non-residential, for the purpose of ad valorem taxation. HB 277 described above provided an exemption for residential property only. SB 90 also revises the definition of "renewable energy source device" to include power conditioning and storage devices, wiring, structural support and other components used as integral parts of such systems. The changes made by SB 90 expire on December 31, 2037.

At present, the impact of these amendments on the Town's finances has been, and is expected to be, minimal.

Legislative Proposals and Proposed Constitutional Amendments Relating to Ad Valorem Taxation

During the State Legislature's regular 2017 legislative session, the State Legislature passed House Joint Resolution 7105 which proposes an amendment to Section 6, Article VII of the State Constitution to establish an additional homestead exemption of \$25,000 on homes valued from \$100,000 to \$125,000 for all levies other than school district levies. If approved by at least 60% of the voters voting in the November, 2018 general election, such amendment would be effective beginning with the 2019 tax roll.

Also during the State Legislature's regular 2017 legislative session, the State Legislature approved CS/HJR 21 ("HJR 21") which proposes an amendment to the State Constitution to remove the scheduled January 1, 2019 repeal of the limitation prohibiting the increase in the assessed value of non-homestead property to 10% per year. The limitation does not apply to property taxes levied by school districts. In order for the 10% assessment limitation to continue, this constitutional amendment will need to be approved by at least 60% of the voters voting in the November, 2018 general election.

No assurance can be made by the Town as to whether the above described proposed constitutional amendments will pass, or their impact on the Town's collection of ad valorem taxes. The passage of either or both of these amendments may result in additional millage being levied by the Town to pay debt service on the Bonds.

During recent years, various other legislative proposals and proposed constitutional amendments relating to ad valorem taxation have been introduced in the State Legislature. Many of these proposals provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at historical levels.

There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the Town or its finances.

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SELECTED FINANCIAL INFORMATION

The following table presents the rates of ad valorem property taxation for the Town for the last ten Fiscal Years. The millage rates below are those that were levied for the operating levy of the Town. The Town currently has no general obligation debt. These millage rates are set annually by the Town Council.

TOWN OF PALM BEACH, FLORIDA AD VALOREM PROPERTY TAX RATES

Town of Palm Beach, Florida

*Direct and Overlapping Property Tax Millage Rates
Last Ten Fiscal Years*

Fiscal Year	Town Direct Millage Rates ¹			Overlapping Millage Rates ¹			Total All
	General Fund	Debt Service	Total Direct	School District	Palm Beach County	Special Taxing Districts	
2007	3.7273	0.0000	3.7273	7.8720	4.4775	2.3254	18.4022
2008	3.3637	0.0000	3.3637	7.3560	3.9813	2.1308	16.8318
2009	3.2512	0.0000	3.2512	7.2510	3.9656	2.2569	16.7247
2010	3.2512	0.0000	3.2512	7.9830	4.5614	2.4934	18.2890
2011	3.2512	0.0000	3.2512	8.1540	4.9960	2.5549	18.9561
2012	3.2512	0.0000	3.2512	8.1800	4.9925	2.3433	18.7670
2013	3.2512	0.0000	3.2512	7.7780	4.9902	2.3154	18.3348
2014	3.2468	0.0000	3.2468	7.5860	4.9852	2.2280	18.0460
2015	3.4058	0.0000	3.4058	7.5940	4.9729	2.1732	18.1459
2016	3.3779	0.0000	3.3779	7.5120	4.9277	2.0974	17.9150
2017	3.2706	0.0000	3.2706	7.0700	4.9142	1.9453	17.2001

Source: Town of Palm Beach, Florida, Florida Comprehensive Annual Financial Report for Year Ended September 30, 2017

¹ 1Mill = \$1 in property tax levied per every \$1,000 of a property's assessed valuation.

The following table sets forth the principal property taxpayers in the Town as of September 30, 2017.

**TOWN OF PALM BEACH, FLORIDA
LARGEST PROPERTY TAXPAYERS**

<u>Property Owner</u>	<u>Taxable Assessed Valuation</u>	<u>Taxes Paid</u>	<u>Percent of Town Taxable Assessed Value</u>
The Breakers	\$324,172,009	\$1,060,237	2.06%
Wilson 150 Worth Avenue LLC	80,793,543	264,243	0.51
Nelson Peltz	86,375,767	282,501	0.55
County Road Property LLC	81,620,858	266,949	0.52
JV Associates PB LLC	67,667,009	221,312	0.43
700 North Lake LLC	77,670,446	254,029	0.49
Paul Tudor Jones II	61,898,677	202,446	0.39
James H. Clark	59,625,909	195,012	0.38
White Sea Holdings LLC	63,028,709	206,142	0.40
Sydell Miller	<u>55,014,449</u>	<u>179,930</u>	<u>0.35</u>
Totals	\$957,867,376	\$3,132,801	6.08%

Source: Town of Palm Beach, Florida Comprehensive Annual Financial Report for Year Ended September 30, 2017

The following table sets forth the Town's direct and overlapping governmental activities debt as of September 1, 2017.

Town of Palm Beach, Florida

*Direct and Overlapping Governmental Activities Debt
September 30, 2017*

	Total Outstanding	Percentage Applicable to Town of Palm Beach⁽¹⁾	Amount Applicable to Town of Palm Beach
Direct:			
Town of Palm Beach	\$ 122,721,163	100.00%	\$ 122,721,163
Overlapping:			
Palm Beach County	\$ 1,085,719,690	10.17%	110,423,625
Palm Beach County School District	1,583,227,000	10.17%	161,022,837
Total overlapping debt	2,668,946,690		271,446,462
Total direct and overlapping debt payable from ad valorem taxes	\$ 2,791,667,853		\$ 394,167,625
Estimated population			8,040
Total direct and overlapping debt per capita			\$ 49,026

⁽¹⁾ Based on 2017 ratio of assessed taxable values.

Source: Finance Department, Town of Palm Beach, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the County's boundaries and multiplying it by the County and School Board General Obligation Debt outstanding.

Source: Town of Palm Beach, Florida Comprehensive Annual Financial Report for Year Ended September 30, 2017

The following table sets forth the Changes in Fund Balances in Governmental Funds for the Town for the last ten (10) Fiscal Years.

Town of Palm Beach, Florida <i>Changes in Fund Balances of Governmental Funds</i> <i>Last Ten Fiscal Years</i> <i>Modified Accrual Basis of Accounting</i>												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Revenues												
Taxes	\$ 48,739,085	\$ 50,999,853	\$ 49,629,856	\$ 44,728,989	\$ 44,647,327	\$ 45,573,756	\$ 47,759,734	\$ 52,608,628	\$ 56,667,194	\$ 59,263,377		
Fees and permits	7,835,468	4,865,780	4,102,878	5,749,007	5,880,327	6,959,778	7,401,315	10,020,118	9,422,838	7,024,524		
Intergovernmental	2,107,927	1,937,338	1,832,267	1,900,329	1,967,946	986,853	1,056,503	1,074,234	1,106,768	1,332,991		
Charges for services	2,808,298	3,277,981	3,194,361	3,461,768	4,081,261	3,576,155	3,741,185	3,957,603	4,131,754	3,681,925		
Fines and forfeitures	1,194,275	927,863	620,978	1,309,725	1,106,676	1,530,917	1,924,183	1,115,240	1,185,547	799,768		
Contributions	0	0	795,161	222,646	459,050	71,066	421,366	736,770	1,946,638	3,294,902		
Investment earnings	2,036,192	2,389,974	1,814,395	737,696	704,692	212,594	626,295	1,184,939	857,219	738,997		
Grant revenue	2,331,850	792,662	83,306	3,678,245	771,909	362,568	358,805	490,367	3,120,771	697,735		
Special Assessments	0	0	564,419	989,814	1,068,133	1,015,907	1,183,221	1,538,098	1,257,358	1,227,990		
Miscellaneous	613,605	568,455	302,124	852,864	1,011,340	692,198	663,967	177,606	291,461	506,948		
Total revenues	67,666,700	65,759,906	62,959,745	63,631,083	61,698,661	60,981,792	65,136,374	72,903,603	79,987,588	77,961,157		
Expenditures												
General government	9,986,924	10,923,177	10,716,676	9,466,491	9,328,868	9,611,179	9,482,734	10,349,294	10,672,235	11,144,220		
Public safety	29,464,707	31,367,667	30,556,992	30,511,290	25,095,341	24,045,416	25,803,242	26,328,383	28,298,011	29,168,148		
Physical environment	15,175,670	13,252,050	11,576,185	17,281,410	11,676,641	12,880,551	12,848,052	16,836,864	14,953,923	18,042,161		
Transportation	1,160,600	1,248,445	909,308	1,311,456	1,099,438	1,282,851	1,084,764	1,081,675	1,081,675	1,128,328		
Economic Environment	0	0	0	2,369,146	331,806	189,158	196,888	232,490	248,223	307,619		
Culture and recreation	1,829,385	1,858,634	1,640,889	1,642,083	1,508,402	1,649,498	1,870,601	1,931,194	1,938,661	2,186,244		
Non-departmental	2,414,968	1,918,051	1,902,388	1,905,398	1,804,439	1,922,643	1,880,251	1,925,555	1,967,485	4,708,491		
Capital outlay	7,859,165	11,429,915	25,045,739	4,662,208	16,389,104	11,161,869	11,573,533	34,409,565	35,114,632	10,032,899		
Debt service												
Principal	3,811,297	3,875,000	4,020,000	1,372,838	2,885,619	1,290,000	1,320,000	2,260,000	2,340,000	2,445,000		
Interest and other fiscal charges	614,269	650,150	1,336,179	3,360,692	3,190,196	3,111,294	4,524,027	5,727,107	5,642,453	4,674,144		
Bond issue costs	30,500	24,303	701,133	27,341	0	0	330,638	0	403,895	0		
Payment to refunded bond escrow agent												
Total expenditures	72,347,485	76,547,392	86,405,489	73,810,353	75,309,854	67,089,702	71,112,817	101,085,216	103,284,054	83,837,254		
Revenues over (under) expenditures	(4,680,785)	(10,787,486)	(23,445,744)	(10,179,270)	(11,611,193)	(6,107,910)	(5,976,243)	(28,181,613)	(23,296,466)	(5,876,097)		
Other financing sources (uses)												
Transfers in	7,039,939	10,606,800	10,758,475	11,309,406	11,774,938	11,257,899	32,693,862	23,861,850	19,884,368	18,484,704		
Transfers out	(6,459,939)	(10,056,800)	(10,208,475)	(10,554,963)	(10,973,009)	(10,344,899)	(28,042,649)	(22,774,650)	(18,895,268)	(17,613,737)		
Proceeds from sale of capital assets	0	0	0	0	0	0	0	0	0	0		
Insurance recoveries	0	0	1,047,156	0	494,502	0	0	0	0	0		
Bonds/Notes proceeds	10,000,000	395,004	74,578,567	0	0	0	58,494,720	0	58,432,064	0		
Retirement of bonds/notes	0	0	(10,589,028)	0	0	0	0	0	0	0		
Payment to refunded bond escrow	0	0	(5,835,971)	0	0	0	0	0	(58,007,630)	0		
Proceeds of refunding note	0	0	0	0	0	0	0	0	0	0		
Total other financing sources (uses)	10,580,000	945,004	59,750,724	754,443	1,296,431	1,013,000	63,145,933	1,087,200	1,413,534	870,967		
Net change in fund balances	\$ 5,899,215	\$ (9,842,482)	\$ 36,304,980	\$ (9,424,827)	\$ (10,314,762)	\$ (5,094,910)	\$ 57,169,690	\$ (27,094,413)	\$ (21,882,932)	\$ (5,005,130)		
Debt service as a percentage of non-capital expenditures	6.86%	6.95%	8.30%	6.73%	10.67%	7.86%	9.84%	11.94%	11.65%	9.57%		

Outstanding Town Indebtedness

The Town does not have any general obligation bonds outstanding. The Town has the following bond issues outstanding (not including bonds that have been defeased):

<u>Bond Issue</u>	<u>Maturity Date</u>	<u>Principal Amount Outstanding as of June 30, 2018</u>
Public Improvement Revenue and Refunding Bonds, Series 2010A (Capital Improvement Program)	January 1, 2040	\$7,125,000
Public Improvement Revenue Bonds, Series 2010B (Worth Avenue Commercial District Project)	January 1, 2020	650,000
Public Improvement Revenue Bonds, Series 2013 (Capital Improvement and Coastal Management Program)	January 1, 2043	51,735,000
Public Improvement Revenue Refunding Bonds, Series 2016A (Capital Improvement Program)	January 1, 2040	39,320,000
Public Improvement Revenue Refunding Bonds, Series 2016A (Worth Avenue Commercial District Project)	January 1, 2040	10,255,000

In addition to the above described bonds, in July of 2017, the Town authorized the issuance of its Public Improvement Commercial Paper Revenue Notes, Series 2017 (the "Notes"), in an amount not to exceed \$22,650,000, for the purpose of paying the costs of the Underground Utility Project. The Notes are currently outstanding in the principal amount of \$22,650,000, and will be retired in full out of the proceeds of the Bonds. The Town will continue to have the ability to issue the Notes in an outstanding principal amount of not to exceed \$22,650,000 to pay costs of the Underground Utility Project not paid out of the proceeds of the Bonds. The Notes are secured by a covenant to budget and appropriate the Town's non ad valorem revenues on an annual basis and are not secured by either the Town's ad valorem taxing power or the Underground Utility Project Special Assessments.

THE TOWN

The Town is a municipal corporation organized and existing under the laws of the State of Florida. The Town, an island, is located on the east coast of Florida in the eastern portion of Palm Beach County. The land area of the Town is approximately 3.77 square miles with 12.1 miles of coastline on the Atlantic Ocean. The Town is a unique, internationally famous residential/estate community known for its distinctive architecture and landscaping, gracious estate homes and condominiums, golf courses and clubs, attractive stores and restaurants. The Town is bound on the west by the intracoastal waterway (Lake Worth), the north by the Palm Beach Inlet, the east by the Atlantic Ocean and on the south by the Town of South Palm Beach.

Town Government

The Town, incorporated in 1911, is governed by an elected mayor and a five member council. The Mayor's term is for two years. The five members of the Town Council are elected at large and serve overlapping two year terms. The Town Council is presently composed of the following:

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Gail Coniglio	Mayor	March, 2019
Danielle H. Moore	Town Council President	March, 2019
Margaret A. Ziedman	Town Council President Pro-Tem	March, 2020
Julie Araskog	Town Council Member	March, 2019
Lew Crampton	Town Council Member	March, 2020
Bobbie Lindsay	Town Council Member	March, 2020

The Town Council meets in regular session once a month for purposes of setting policy and carrying out the legislative matters of the Town. The administrative day to day responsibilities are carried out through the Town Manager who is appointed by the Town Council. The Town Manager is Kirk Blouin, who has served as the Town Manager since February of 2018, and who had previously been the Town's Director of Public Safety since 2011. Mr. Blouin has been a Town employee since 1989, when he joined the Town's Police Department as a Patrolman. All of the Town departments and staff report to the Town Manager. The Town has approximately 363 full time equivalent employees. There is one labor union representing the Town's rank and file fire rescue personnel.

Services Provided by the Town

The Town provides various services such as street and sidewalk maintenance, police, fire and emergency medical services, beach rescue services, garbage and yard trash collection, storm and sanitary sewer collection services and recreational programs. Town residents pay for garbage and yard trash collection, sanitary sewage and stormwater utility services by means of their ad valorem property taxes.

Population

The following table sets forth the estimated permanent population of the Town between 1960 and 2017. The decrease in population estimates between 2000 and 2010 was due primarily to a change in the way residents were categorized as permanent as opposed to seasonal.

Town of Palm Beach
ESTIMATED POPULATION

<u>Year</u>	<u>Population</u>
1960	6,055
1970	9,086
1980	9,729
1990	9,814
2000	9,676
2010	8,161
2011	8,348
2012	8,358
2013	8,168
2014	8,170
2015	8,040
2016	8,040
2017	8,291

Sources: U.S. Bureau of the Census: 1960, 1970, 1980, 1990, 2000 and 2010; University of Florida, Bureau of Economic Business Administration: 2011 through 2017

The Town's population will grow during that time of the year traditionally known as the "Season" which is generally from November 15 to April 1. The Town estimates the seasonal population peak to be 25,000.

Economy

The Town is a long-established residential community. Commercial activities are restricted primarily to the services rendered by banks, retail shops, hotels, and restaurants for the Town's permanent and seasonal residents and visitors. There is no industrial development within the Town.

Land Use

The following table sets forth the assessed value and number of parcels of property in the Town, according to the categories assigned to each parcel by the Palm Beach County Property Appraiser.

Town of Palm Beach
VALUE OF PARCELS BY CATEGORY

<u>Category</u>	<u>Assessed Value (\$)</u>
Residential	19,313,803,729
Commercial	1,389,277,926
Industrial	1,108,283
Other	360,821,288
Less: Tax-Exempt Property	<u>(5,269,810,002)</u>
TOTAL	15,795,201,224

Source: Palm Beach County Property Appraiser as of January 1, 2017.

Assessed Valuation

The following table shows the assessed value of the property in the Town for the past ten (10) years:

Town of Palm Beach, Florida
Assessed Value of Taxable Property; Last Ten Years

<u>Year</u>	<u>Total Assessed Value</u>	<u>Total Taxable Value</u>
2008	\$16,224,056,783	\$12,619,015,444
2009	17,911,648,549	13,681,919,443
2010	16,893,593,925	13,097,134,379
2011	12,043,094,460	11,530,447,889
2012	12,013,987,648	11,510,190,357
2013	12,288,707,603	11,805,832,888
2014	12,862,947,349	12,371,740,345
2015	13,728,091,553	13,261,088,247
2016	14,987,210,512	14,509,420,467
2017	16,289,617,765	15,795,201,224

Assessed value is an annual determination of the just or fair market value of the property, or the value of the homestead property as limited pursuant to State law. Taxable value is the assessed value of property minus the amount of any applicable exemption provided under state law. Property in Palm Beach County is reassessed every three years on average.

Source: Palm Beach County Property Appraiser.

Property Tax Levies and Collections

The following table sets forth the property tax levy and collection in the Town for the past ten (10) fiscal years:

Town of Palm Beach, Florida

Property Tax Levies and Collections; Last Ten Fiscal Years

Fiscal Year Ended 9/30	Net Tax Levy*	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Property Tax Collections	Collections as a Percent of Current Levy
2008	\$43,129,948	\$41,337,264	95.84%	\$119,985	\$41,457,249	96.12%
2009	44,766,064	42,684,473	95.35	202,744	42,887,217	95.80
2010	43,506,736	41,076,426	94.41	432,144	41,508,570	95.41
2011	38,073,972	36,634,834	96.22	509	36,635,343	96.22
2012	37,421,931	36,636,311	97.90	26,605	36,662,916	97.97
2013	38,449,282	37,376,601	97.21	96,506	37,473,107	97.46
2014	40,168,565	39,067,303	97.26	43,623	39,110,926	97.37
2015	45,709,498	43,979,362	96.21	9,128	43,988,490	96.23
2016	49,611,524	47,733,340	96.21	193,117	47,926,457	96.60
2017	52,099,146	50,080,658	96.13	115,323	50,195,981	96.35

Note: All property taxes are assessed and collected by the Palm Beach County Tax Collector. Collections are distributed in full as collected.

* Tax levy; net of allowance for discounts.

Additional statistics and financial information about the Town can be found in the Statistical Section of the Town's Comprehensive Annual Fiscal Report for the Fiscal Year Ended September 30, 2017, attached as APPENDIX B.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

Town of Palm Beach Retirement Plan

The Town's employee pension plan (the "Town Retirement Plan") was created in 1947. The Town Retirement Plan is overseen by a nine member Town of Palm Beach Retirement System Board of Trustees (the "Board of Trustees"). Even though there is a single Plan, there are separate portions of the Plan for general employees and lifeguards, police officers and fire rescue, respectively, all overseen by the Board of Trustees. An outside pension consultant serves as investment advisor to the Board of Trustees, and the Board of Trustees has also contracted out a portion of the plan administration services.

The 2017 Town of Palm Beach Employee's Retirement System Annual Report, attached hereto as APPENDIX C (the "Report"), represents the financial and actuarial information for the Town Retirement Plan as of fiscal year end September 30, 2017. The Report includes a

summarized plan description, plan provisions, demographic information, fiscal yearend financial statements, a listing of professional service providers and current investment managers.

Other Post-Employment Benefits

General

The Town's Other Post-Employment Benefits Plan (the "OPEB Plan") is a single-employer, defined benefit postemployment healthcare plan that is administered by the Town and covers retired employees of the Town and their dependents. The OPEB Plan provides for the payment of a portion of the health insurance premiums for eligible retired employees. The OPEB Plan has 115 retirees receiving benefits and a total of 322 active participants as of September 30, 2017.

OPEB Plan members receiving benefits contribute a percentage of their monthly insurance premium. Retiree contributions vary from a minimum of 50% of the actuarial premium to the maximum amount allowed under Section 112.08, Florida Statutes (see below).

According to Section 112.08, Florida Statutes, the Town is required to permit eligible retirees and their eligible dependents to participate in the Town's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available to active employees. The premiums charged by the insurance company are based on the blending of the experience among active employees and older retired employees. Since the older retirees actually have higher costs, this means that the Town is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees, which is referred to as the "implicit rate subsidy" by GASB. The Town has elected to contribute to the OPEB Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged the OPEB Plan. See "APPENDIX B – Town's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2017 – Note L on page 98."

Actuarial Methods and Assumptions

Actuarial methods and significant actuarial assumptions used for the current year are summarized below:

Actuarial methods:

Actuarial valuation date	October 1, 2017
Actuarial cost method	Entry Age
Amortization Method	Level percent-of-payroll, open
Amortization Period	30 years
Asset valuation method	Actual Fair Value

Actuarial assumptions:

Investment rate of return	7.0%
Projected salary increases	3.5%
Health care cost trend	7.5% to 5.0%
Payroll growth assumptions	0%

Funded Status and Funding Progress

At September 30 2017, the Town reported a net OPEB asset of \$3,312,312. For the fiscal year ended September 30, 2017, the Town recognized an OPEB revenue of \$477,782.

The Statement of Change in the Net Position of the Town's OPEB Plan is set forth in the following table:

Town of Palm Beach, Florida
Statement of Change in Plan Net Position
Year Ended September 30, 2017

Additions

Contributions	
Employer	\$1,339,000
Employee	1,260,410
Other	<u>14,291</u>
Total Contributions	2,613,701
Investment income (loss)	
Net depreciation in fair value of investments	2,212,082
Interest and dividends	<u>542,999</u>
Total investment income	2,755,081
Less investment expense	<u>(62,916)</u>
Net investment income	2,692,135
Total additions	5,305,836
Deductions	
Benefit payments	2,320,667
Administrative expenses	108,840
Other	<u>1,793</u>
Total deductions	2,431,300
Net increase	2,874,536
Net position held in trust for retiree health benefits – beginning of year	28,401,183
Net position held in trust for retiree health benefits – end of year	<u>\$31,275,719</u>

Source: Town of Palm Beach, Florida Comprehensive Annual Financial Report for Fiscal Year
Ended September 30, 2017

Additional Information

For detailed information relating to the actuarial methods and assumptions used to determine annual required contributions for the Town Retirement Plan and the OPEB Plan, see “APPENDIX B – Town’s Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2017” and, in particular, Notes J, K and L in the Notes to the Financial Statements, and with respect to the Town Retirement Plan, see “APPENDIX C - 2017 Town of Palm Beach Employee’s Retirement System Annual Report.” In addition, more detailed information relating to the Town Retirement Plan may be obtained from the Actuarial Valuation Report as of September 30, 2017, for the Town of Palm Beach Retirement System, a copy of which may be obtained from the Town’s Finance Department.

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DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Bonds:

Year ending July 1	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
TOTAL			

LITIGATION

In *Arthur Goldmacher v Town of Palm Beach* (Case No. 50-2016-CA-003683-XXXX-MB, 15th Judicial Circuit, Palm Beach County, Florida), plaintiff sued to have the Court declare the general obligation bonds approved by voters under the bond referendum illegal and void, the results of the bond referendum illegal and void, the referendum nullified and to halt the issuance of the bonds. The Court granted summary judgment in favor of the Town on all counts, finding that “the ballot language is neither misleading nor inconsistent, that there is no violation of Ordinance 90.141, that the bond referendum is neither illegal nor void, that the ballot measure is neither illegal nor void, and that the Town is permitted to issue bonds as approved pursuant to the ballot referendum.” On appeal, on March 5, 2018 the Florida Fourth District Court of Appeal (*Case No.: 4D17-2162*) affirmed the ruling of the lower court and on April 5, 2018 issued its mandate. Accordingly, this case is final and is not subject to appeal.

On August 1, 2017, Plaintiff PBT Real Estate, LLC (“PBT”) filed a Complaint against the Town in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida (Case No. 50-2017-CA-008581-XXXX-MB AD), seeking to determine that the special assessments imposed by the Town for the Underground Utilities Project were unconstitutional, illegal and void. On November 1, 2017, PBT amended its Complaint asserting various claims under the U.S. Constitution, and the Florida law. On November 15, 2017, the Town removed the Amended Complaint to the U.S. District Court for the Southern District of Florida (*PBT Real Estate, LLC v Town of Palm Beach* CASE NO.: 17-cv-81254-DMM). After numerous Motions to Dismiss directed to the various Amended Complaints, PBT filed its Third Amended Complaint alleging a violation of Substantive Dues Process and Equal Protection claims under the U.S. Constitution and various state law claims. On June 19, 2018, the Court granted a Motion for Summary Judgment on the Substantive Due Process and Equal Protection clauses and dismissed the remaining counts. In so doing, with regard to substantive due process, the Court upheld the Constitutionality of the assessments stating that the Town had a legitimate interest in burying its overhead utilities and dividing the costs of the Project among benefitted parcels; and that the assessment resolutions, which impose a system of special assessment benefits commensurate with the benefits a parcel receives, is rationally related to the Town’s legitimate interest in paying for the project. On July 17, 2018, Plaintiff filed a Motion for Reconsideration. The Court has yet to rule on the Motion for Reconsideration.

On August 28, 2017, plaintiffs Kosberg and Scharf, individually and on behalf of a putative class of all assessed property owners, filed an amended complaint in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County (*Carol Kosberg, as trustee U/T/D 2-23-90, and Michael Scharf v. Town of Palm Beach, etc., et al.* (Case No.: 50-2017-CA-008420-XXXX-MB AO) seeking a declaratory judgment that the special assessments and the liens imposed are null, void and unenforceable, and that the Town refund in full any special assessments collected with interest and award attorneys’ fees. Kosberg and Scharf also seek injunctive relief to enjoin the Town from implementing the special assessments, cease and desist collection, and release and discharge all liens.

Both Counsel for the Town and Bond Counsel are of the opinion that the Town has good defenses and will prevail. The methodology that the Town selected for allocating the special

assessments is very similar to the methodologies used by other local governments in other undergrounding projects that have withstood similar challenges in the Florida courts. The Court will accord deference to the Town's determinations as to the use and implementation of the special assessments, their special benefit, methodology and allocation, and will not invalidate the Town Council's determinations unless arbitrary. The result if the Court were to find the Town Council's determinations to be arbitrary would be, in any event, that the Town Council could revise the special assessments to address the Court's concerns, if any, in accordance with the Town Ordinance.

Further, Town Counsel and Bond Counsel are of the opinion that the issuance of the Bonds may proceed, due to the holdings in *Goldmacher*, and the fact that the special assessment may be redone if necessary, and that the Bonds are general obligations of the Town to which the full faith and credit and taxing power of the Town have been pledged. In accordance with the bond resolution and bond referendum approved by voters and the courts, the ad valorem taxing power will be called upon to pay the Bonds to the extent special assessments are insufficient or not assessed.

The Town is involved in various lawsuits arising in the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of management of the Town, based upon consultation with legal counsel, that the outcome of these matters will not materially affect the financial position of the Town.

TAX MATTERS

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of bondholders who are individuals or, except as described herein, corporations. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

For taxable years that began before January 1, 2018, interest on the Bonds owned by a corporation (other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust) will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum taxable income of such corporation. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be

included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is further of the opinion that the Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined herein. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Florida. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

[To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price to the public, or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.]

[Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.]

Prospective Bondholders should be aware that certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Risk of Further Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Florida legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by the court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effect could result, for example, from changes to federal or state income tax rates, changes in the structure or federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the Bondholder's federal or state tax liability. The nature and extent of all these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds by the Town and with regard to the tax-exempt status thereof are subject to the approving opinions of Locke Lord LLP, West Palm Beach, Florida, Bond Counsel, whose approving opinion will be available at the time of delivery of the Bonds. Certain other legal matters will be passed on for the Town by its counsel, Jones, Foster, Johnston & Stubbs, P.A., West Palm Beach, Florida, and for the Underwriter by its counsel Greenspoon Marder LLP, West Palm Beach, Florida.

The proposed text of the approving legal opinion of Bond Counsel to be delivered concurrently with the delivery of the Bonds is set forth as APPENDIX D to this Official Statement. The actual legal opinion to be delivered may vary from the text of APPENDIX D, if necessary, to reflect facts and law on the date of delivery of the Bonds.

The legal opinions to be delivered by Bond Counsel and Counsel to the Town concurrently with the delivery of the Bonds are based on existing law, which is subject to change. Such legal opinions are further based on factual representations made as of the date thereof. The attorneys rendering legal opinions concurrently with the delivery of the Bonds assume no duty to update or supplement their respective opinions to reflect any facts or circumstances, including changes in law that may thereafter occur or become effective. In addition, such legal opinions express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed in such opinions. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The fees of Bond Counsel and counsel to the Underwriter are contingent upon the issuance of the Bonds.

GENERAL PURPOSE FINANCIAL STATEMENTS

APPENDIX B includes the audited general purpose financial statements of the Town for the Fiscal Year ended September 30, 2017. Such audited general purpose financial statements, including the auditor's report, have been included in this Official Statement as public documents and consent from the auditor was not requested. The auditor has not performed any services relating to, and is therefore not associated with, the issuance of the Bonds.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC, Orlando, Florida, is serving as Municipal Advisor to the Town with respect to the Bonds. The Municipal Advisor has assisted the Town in the preparation of this Official Statement and in other matters relating to the planning, structure and issuance of the Bonds. However, the Municipal Advisor has not been engaged to undertake, and has not undertaken, independent verification of the accuracy or completeness of the information contained in this Official Statement.

The Municipal Advisor is a registered municipal advisory firm. The Municipal Advisor is not engaged in the business of underwriting, marketing or trading of municipal securities. Investors should not base any investment decision on the fact that the Municipal Advisor has advised the Town on the Bonds. The fee of the Municipal Advisor is contingent upon the issuance of the Bonds.

UNDERWRITING

The Bonds are being purchased by Citigroup Global Markets Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ (representing

the par amount of the Series A Bonds, **[plus/minus]** a net original issue **[premium/discount]** of \$ _____, less Underwriter's discount of \$ _____), subject to certain terms and conditions set forth in the purchase contract between the Town and the Underwriter. The Underwriter's obligation is subject to certain conditions precedent and they will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, the Underwriter may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, the Underwriter will compensate Fidelity for its selling efforts with respect to the Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Town for which they received or will receive customary fees and expenses. In addition, affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under our credit facility. Affiliates of the Underwriter may in the aggregate receive more than ten percent (10%) of the proceeds of this offering, including as a result of the repayment of our commercial credit and credit facility borrowings. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Town.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the Town has agreed in the Resolution to provide certain financial information and operating data relating to the Town and the Bonds in each year, and to provide notices of the occurrence of certain enumerated events, if material. See "APPENDIX A— Town of Palm Beach Resolution No. ____-2018." The Town has engaged Digital Assurance Certification ("DAC") to file and disseminate information provided by the Town to DAC in connection with the Bonds. The Town has entered into other continuing disclosure undertakings for purposes of the Rule in connection with bonds previously issued by the Town. The Town represents that during the last five (5) years, to its knowledge, after due inquiry, it has complied in all material respects with its previous continuing disclosure undertakings pursuant to the Rule.

RATINGS

Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global Inc. have assigned long-term ratings of "____" and "____" respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, New York, NY 10007; S&P Global Ratings, 55 Water Street, New York, New York 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida law requires the Town to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served as a conduit issuer). Florida law further provides, however, that if the Town in good faith believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted. The Town is not and not been in default as to principal and interest on bonds or other debt obligations which it has issued as the principal obligor or guarantor.

AUTHORIZATION AND APPROVAL

The delivery of this Official Statement by the Town has been duly authorized and approved by the Town Council of the Town.

TOWN OF PALM BEACH, FLORIDA

By: _____
Mayor

By: _____
Town Manager

APPENDIX A

TOWN OF PALM BEACH RESOLUTION NO. ____-2018

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE TOWN FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

APPENDIX C

2017 TOWN OF PALM BEACH RETIREMENT SYSTEM ANNUAL REPORT

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION